# GOVERNMENT OF INDIA
# COMMERCE AND INDUSTRY
# LOK SABHA

UNSTARRED QUESTION NO:1930
ANSWERED ON:13.03.2007
FORWARD TRADE REGULATION ACT
Kaushal Shri Raghuvir Singh

**Will the Minister of COMMERCE AND INDUSTRY be pleased to state:**

(a) whether the Government proposes to bring any amendments in the Forward Trade (Regulation) Act;

(b) if so, the details thereof;

(c) whether there has been steep increase in prices of food items after the implementation of the said Act;

(d) if so, the details thereof;

(e) whether the Government has made any review in this regard;

(f) if so, the details thereof; and

g) if not, the steps taken/proposed to be taken to curb the prices of food items?

## Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI JAIRAM RAMESH)

(a) Yes, Sir. A Bill to amend the Forward Contracts (Regulation) Act, 1952 has already been introduced in the Lok Sabha on 21.03.2006.

(b) The amendments proposed in the Forward Contracts (Regulation) Act, 1952 mainly relate to

(i) increasing the number of Members of Forward Markets Commission (FMC), which is the Regulator for commodity futures market from four to nine with up to three whole-time Members and a Chairman;

(ii) enhancing the powers of FMC;

(iii) conferring power upon FMC to recruit its officers and employees;

(iv) creating FMC General Fund to which all receivables will be credited;

(v) registration of intermediaries with FMC;

(vi) Corporatisation and Demutualisation of the existing commodity Exchanges;

(vii) permitting trading in options in goods; and

(viii) enhancement of penal provisions. It is also proposed to designate the Securities Appellate Tribunal as the Appellate Authority for the purposes of the Forward Contracts (Regulation) Act, 1952.

c)&d) Forward Contracts (Regulation) Act, 1952 has been in force since 1952. Price levels of various commodities mainly are determined on the basis of fundamental factors linked to demand and supply positions. Futures markets provide an efficient platform for price discovery and price risk management so that producers, exporters, consumers etc. can take informed decisions about production, sales and purchase of commodities.

e) & f) The Government has set up an Expert Committee on 2nd March, 2007 under the Chairmanship of Professor Abhijit Sen, Member, Planning Commission to study, inter-alia, the extent of impact, if any, of futures trading on wholesale and retail prices of agricultural commodities.

g) Does not arise.